

Financial performance indicators for the year ended 31 December 2010

	31 Dec 2010	% change	31 Dec 2009
Liberty Holdings Limited			
Earnings			
Basic earnings per share (cents)	918,6	>100	16,4
BEE normalised headline earnings per share (cents)	907,6	>100	47,2
Group Embedded Value			
BEE normalised Group Embedded Value per share (R)	91,01	7,9	84,32
BEE normalised return on Group Embedded Value (%)	13,4	>100	(6,5)
Distributions per share (cents)			
Interim capital reduction	164		164
Final dividend (2009: capital reduction)	291		291
Long-term insurance operations			
Indexed new business (excluding contractual increases) (Rm)	4 327	(1,9)	4 412
New business margin (%)	1,2	(7,7)	1,3
Net customer cash (outflows)/inflows (Rm)	(273)	(>100)	1 267
Capital adequacy cover of Liberty Group Limited (times covered)	2,67	(5,0)	2,81
Asset management			
Assets under management (Rbn)	409	12,7	363
Net cash inflows including money market (Rm)	22 179	>100	2 755
Health ('000 lives)			
Under administration	528	14,8	460
Licensed on proprietary information technology platforms	1 085	25,7	863
Insured	33	94,1	17

Commentary on results

The 2010 results are reflective of the significant operational progress achieved, particularly in the Retail business, supported by positive investment markets. Material progress has been made on customer retention, the ability to manage the balance sheet within risk appetite, the appointment of a new management team in STANLIB and the extended scope of the bancassurance agreement with Standard Bank.

While the group has not yet achieved its full potential the focus is clear and a strong management team is in place to deliver against strategy.

Update on strategy

The group has made substantial progress in its three strategic focus areas:

Strengthen the insurance business

Improving policyholder retention has been the insurance business's main priority over the past eighteen months. The various management interventions, following extensive analytics on policyholder behaviour, have had very pleasing results with retention experience well ahead of set targets. These interventions are now entrenched in "business as usual".

Management focus has turned to the current low value of new business and new business margins and various innovative initiatives are at an advanced stage of completion. Although insurance new business is lower than 2009, the focus has been on improved quality, however acquisition costs remain a concern.

Excellence in balance sheet management

The formation of LibFin to specifically focus on the balance sheet, associated improvements in information delivery and the implementation of risk mandates and hedging policies have all been achieved. The group's strong capital position reflects the success of this strategic focus area and our earnings are expected to be less volatile. There have been one-off profits arising from derisking in 2010.

Commentary on results (continued)

Growth strategies

Growth strategies have had mixed success.

Liberty Properties made good progress in diversifying income through extending its property development management capabilities. STANLIB's recent fund performance indicated significant improvement and its prominence in fixed interest, money market and property franchises was maintained with excellent cash inflows.

The alternative direct distribution channel, Frank Financial Services, was successfully launched in November 2010 and is achieving its sales targets. The CfC Insurance Holdings Limited (CfC) acquisition was further delayed into 2011, however progress was made in extending the group's wealth service offerings into selected African countries.

Liberty Health has faced significant operational challenges and the achievement of the value proposition is likely to take longer than originally intended.

The result of the renegotiated bancassurance agreement with Standard Bank is a broadening of the applicable product and distribution opportunities. There is mutual commitment to maximise these opportunities and considerable value add to Liberty is anticipated in the medium term.

Financial overview

Liberty recorded a strong earnings result with BEE normalised headline earnings being R2 597 million for the year ended 31 December 2010, compared to the R135 million reported for 2009. This is a significant improvement indicating a return to relatively normal levels of earnings from core insurance operations and a positive investment performance, despite the sluggish South African economic recovery and the lingering investment market uncertainty throughout 2010.

The progress made by Retail SA in improving policyholder persistency is well ahead of initial estimates and whilst it is still too early to adjust long-term persistency assumptions, persistency operating variances were net positive excluding any release of short-term provisions. Management is confident of ongoing progress in this area.

The focus on quality in Retail SA insurance sales has, as expected, resulted in lower volumes and lower new business margins. Margins have been negatively affected by acquisition cost inefficiency combined with continuing conservative persistency assumptions. Improving new business margin is a matter of priority.

Returns on the shareholder investment portfolio reflect strong fourth quarter equity market performance and by design are comparable to a low risk balanced portfolio. The asset/liability positions were managed within mandated risk limits and capital ratios remain strong. The substantial equity derisking costs of R519 million included in the 2009 result, as anticipated, were a once-off event.

STANLIB and Liberty Africa asset management operations continued to attract excellent net cash inflows, of R15,7 billion and R6,5 billion respectively. Particular strength was evidenced in the money market funds and fixed interest franchise. Total assets under management have reached R409 billion, with growth achieved by all asset managers (STANLIB, Liberty Properties and Liberty Africa).

BEE normalised headline earnings per ordinary share is 907,6 cents (2009: 47,2 cents) and a final dividend of 291 cents (2009: capital reduction of 291 cents) has been declared.

Contributions to earnings by business unit

	31 Dec 2010 Rm	% change	31 Dec 2009 Rm
<i>South African long-term insurance</i>			
Retail SA	899	>100	(82)
Corporate	103	>100	(29)
LibFin	1 443	>100	(8)
<i>Asset management</i>			
STANLIB	361	(0,3)	362
Liberty Properties	96	20,0	80
<i>Business development</i>			
Liberty Africa	10	(65,5)	29
Liberty Health	(43)	8,5	(47)
Frank Financial Services	(44)	(>100)	(11)
<i>Central overheads and sundry income</i>	(303)	(20,2)	(252)
Headline earnings	2 522	>100	42
BEE preference share adjustment	75	(19,4)	93
BEE normalised headline earnings	2 597	>100	135

Commentary on results (continued)

South African long-term insurance

Retail SA

Following the recent significant deterioration in operational results, Retail SA's key objectives are to bring policyholder persistency back to acceptable levels, regain market share in the traditional risk and investment markets and achieve improvements in the value of new business margin through product innovation, appropriate pricing, improved quality of sales and cost efficiency.

The recovery of headline earnings to R899 million for the year compared to the 2009 loss of R82 million is reflective of the considerable improvement in persistency and sales quality.

Management's action has resulted in the flagship risk products' persistency improving well ahead of expectations, leading to overall positive net operating variances. Experience on investment products has improved over 2009 and following the closure of the unprofitable call centre distribution channel, entry level market (ELM) risk products have stabilised broadly in line with assumption. Experience investigations performed on major product lines for the 31 December 2010 policyholder liability valuations indicated that no changes to long-term persistency assumptions were required.

Death claims on complex products were marginally higher than previously assumed, resulting in the strengthening of liability assumptions at the older ages in the respective mortality curves.

The reduction in ELM sales, lower guaranteed capital bond (GCB) sales and the decision to focus on quality has led to indexed new business (excluding contractual increases) decreasing by 7,0% to R3 717 million (2009: R3 995 million). However, good growth was recorded in retirement savings products. The new business embedded value profit margin of 1,3% (2009: 1,5%) predictably decreased slightly, mainly due to the lower policy volumes and proportionately higher sales of lower margin investment products.

Net cash flows were positive at R990 million for the period (2009: R2 764 million), lower than 2009 as a result of the lower single premium GCB sales and higher per policy claim values following the recovery of the investment markets.

A key focus for management in 2011 is improving acquisition cost efficiency and managing increases in maintenance costs within actuarial inflation assumptions.

Corporate

Corporate's earnings were R103 million compared to the 2009 loss of R29 million, which included the once-off provision of R125 million relating to the retirement fund administration project. A 40,8% increase in indexed new business was achieved and embedded value profit margin was 0,4%.

A combination of winding up retirement funds under the administration project, significant redemptions of older generation investment products and continued consumer job losses for most of the year impacted withdrawal levels on corporate funds. This resulted in net cash outflows for the period of R1 517 million (2009: outflow of R1 776 million).

LibFin

The revised shareholder investment portfolio of approximately R16 billion, formulated in the second half of 2009, was fully transitioned during the year and contributed R1 814 million before tax to headline earnings. This represents a return of 11,2% for the period, which is reflective of a low risk balanced portfolio construct and is broadly in line with the relevant benchmarks.

LibFin markets continued to manage market risk exposures within the risk framework implemented and enjoyed favourable earnings of R269 million. Core earnings include some positive one-off items arising from further risk reduction and favourable asset management performance relative to liability assumptions. Ongoing progress has been made in improving hedging effectiveness and management are endeavouring to ensure that the volatility of asset/liability mismatch earnings will continue to reduce in the future.

Asset management (STANLIB and Liberty Properties)

STANLIB's headline earnings totalling R361 million (2009: R362 million) were adversely impacted by lower performance fees and loss of institutional mandates including the Public Investment Corporation of R9,5 billion.

STANLIB's net cash inflows (excluding inter group flows) for the period were R15,7 billion (2009: outflow of R1,6 billion). Money market products attracted strong net inflows of R19,1 billion (2009: R10,8 billion) resulting in total assets under management (including inter-company life funds) increasing to R355,2 billion at 31 December 2010 compared to the R317,8 billion reported at 31 December 2009.

Liberty Properties' earnings after taxation increased by 20,0% to R96 million, driven mostly by increased property development fees. Liberty Properties is currently managing extensions to the Eastgate and Sandton City complexes, as well as the development of a third party owned shopping complex in Lusaka, Zambia.

Commentary on results (continued)

Business Development initiatives

Liberty Health

Liberty Health's results were impacted by a highly competitive South African environment and consequential margin pressure, particularly in the second half, as well as high early utilisation of annual limits on the risk business. The business unit recorded a headline loss of which Liberty's share is R43 million. The goodwill asset within the business unit of R114 million (Liberty share: R85 million) has been fully impaired.

Health management during 2011 will focus on margin through reduced costs and improved pricing for risk.

Liberty Africa

The acquisition of CfC has been further delayed, and will now take place in the first half of 2011 (all regulatory approvals have now been received). Good operational earnings were reported by CfC in 2010.

Liberty Africa's asset management operations enjoyed positive net cash inflows of R6,5 billion for the year (2009: R4,3 billion) bringing assets under management to R29,0 billion (2009: R22,3 billion). Progress was made in extending insurance and asset management operations in Namibia, Botswana and Swaziland.

Attributable headline earnings of R10 million are lower than 2009 due mainly to the inclusion of the relevant bancassurance profit share payments previously expensed in Retail SA.

Frank Financial Services

Frank Financial Services, which is a direct distribution channel offering simple risk products, utilising the internet medium and inbound call centres, was launched in November 2010. The R44 million loss (2009: R11 million loss) reflects expensed start up costs.

Group Embedded Value

The BEE normalised Group Embedded Value per share at 31 December 2010 is R91,01 compared to R84,32 at 31 December 2009. Positive operating variances, lower risk discount rates, the sustained recovery of investment markets and good earnings more than offset the capital reductions of R1 301 million paid during 2010.

Capital adequacy cover

Despite the group restructure, which transferred qualifying assets representing 0,16 ratio of cover to Liberty Holdings Limited, the capital adequacy cover of Liberty Group Limited remains good at 2,67 times the statutory requirement (31 December 2009: 2,81). This capital adequacy cover is well ahead of the internal target of 1,7 times. All the group subsidiary life licences are well capitalised.

Return on equity

The group's strong earnings result reflects a return on equity of 21,2% compared to the 1,1% achieved in 2009.

Final dividend

The directors have agreed to maintain the final distribution, balancing shareholder expectations with the need to fund growth and taking account of the previous distributions which were paid in less favourable circumstances.

The directors have approved a final dividend of 291 cents per ordinary share.

The important dates pertaining to the final dividend are as follows:

Last date to trade <i>cum</i> dividend on the JSE	Thursday, 17 March 2011
First trading day <i>ex</i> dividend on the JSE	Friday, 18 March 2011
Record date	Friday, 25 March 2011
Payment date	Monday, 28 March 2011

Share certificates may not be de-materialised or re-materialised between Friday, 18 March 2011 and Friday, 25 March 2011, both days inclusive. Where applicable, in terms of instructions received by the company from certificated shareholders, the payment of the dividend will be made electronically to shareholders' bank accounts on payment date. In the absence of specific mandates, cheques will be posted to shareholders. Shareholders who have de-materialised their shares will have their accounts with their CSDP or broker credited on Monday, 28 March 2011.

Commentary on results (continued)

Prospects

The group's results are linked to the performance of the economies and investment markets in which the group operates with South Africa being the most important. The significant progress made in our core operations in 2010 positions the group favourably for continued delivery of good operational performance and to take advantage of any improvements in these markets.

Our focus will be on lowering unit costs and improving new business sales and margins in the insurance business. In our asset management businesses, we will continue to build the capacity to deliver superior investment returns.

Bruce Hemphill

Chief Executive

23 February 2011

Saki Macozoma

Chairman

Liberty Holdings Limited

Incorporated in the Republic of South Africa

(Registration number: 1968/002095/06)

JSE code: LBH

ISIN code: ZAE0000127148

Telephone +27 11 408 3911

Transfer Secretaries

Computershare Investor Services (Pty) Limited

(Registration number: 2004/003647/07)

Ground Floor, 70 Marshall Street, Johannesburg 2001

PO Box 61051, Marshalltown 2107

Telephone +27 11 370 5000

Sponsor



A subsidiary of Bank of America Corporation

These results are available at www.liberty.co.za

Accounting policies

The 2010 consolidated financial statements have been prepared in accordance with and containing information required by International Financial Reporting Standards (IFRS) including full compliance with IAS 34 *Interim Financial Reporting*. They are also in compliance with the Listings Requirements of the JSE Limited and the Companies Act of South Africa.

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those adopted in the previous year, except for the following:

Liberty elected to early adopt the Amendments to IAS 12 Income Taxes – Deferred Tax: Recovery of Underlying Assets which requires retrospective application. The result has been the restatement of the deferred tax liability in respect of revaluation surpluses of long-term strategic investment properties at the sale income tax rate and not the use income tax rate. Policyholder liabilities consequently were also adjusted. The financial statement impact of this change as at 31 December 2009 was an increase in policyholder liabilities under insurance contracts of R511 million (2008: R533 million) and policyholder liabilities under investment contracts of R245 million (2008: R203 million), with a corresponding decrease to deferred taxation of R756 million (2008: R736 million). There is no impact to profit or loss arising from the change.

Several other amendments to IFRS standards or interpretations were made by the International Accounting Standards Board which are effective for the period under review or which were early adopted by the group. These amendments or interpretations are not significant or applicable to the 2010 results of the group.

Audit opinion

The company's auditors, PricewaterhouseCoopers Inc., have issued their opinion on the group's financial statements and group embedded value report for the year ended 31 December 2010. They have issued unmodified audit opinions. Copies of their audit reports are available for inspection at the company's registered office.

Definitions

BEE normalised: headline earnings per share, Group Embedded Value per share and return on Group Embedded Value

These measures reflect the economic reality of the Black Economic Empowerment (BEE) transaction as opposed to the required technical accounting treatment that reflects the BEE transaction as a share buy-back. Dividends received on the group's BEE preference shares (which are recognised as an asset for this purpose) are included in income. Shares in issue relating to the transaction are reinstated.

Capital adequacy requirement (CAR)

Capital adequacy is the minimum amount by which the Financial Services Board requires an insurer's assets to exceed its liabilities. The assets, liabilities and capital adequacy requirement must be calculated using a method which meets the Financial Services Board's requirements. Capital adequacy cover refers to the amount of capital the insurer has as a multiple of the minimum requirement.

Long-term insurance operations – Indexed new business

This is a measure of new business in insurance operations which is calculated as the sum of twelve months of recurring premium policies and one tenth of single premium sales.

Long-term insurance operations – New business margin

This is the embedded value of new business in insurance operations expressed as a percentage of the present value of future expected premiums.

Health lives under administration

This reflects the number of natural persons covered for medical risk insurance (either through medical aids or directly), for which Liberty Health provides administration services.

FCTR: Foreign Currency Translation Reserve

Statement of financial position as at 31 December 2010

Audited	2010 Rm	Restated 2009 Rm	Restated 2008 Rm
Assets			
Equipment and owner-occupied properties under development	957	1 176	946
Owner-occupied properties	1 513	1 345	1 282
Investment properties	21 521	19 058	16 771
Intangible assets	1 046	1 210	1 444
Defined benefit pension fund employer surplus	202	170	144
Deferred acquisition costs	364	337	344
Interests in joint ventures	605	575	505
Reinsurance assets	847	788	827
Operating leases – accrued income	1 107	1 156	1 067
Pledged assets		1 559	1 622
Held for trading assets	2 659	457	1 208
Interests in associates – mutual funds	5 814	4 979	4 726
Financial investments	192 317	173 146	169 760
Deferred taxation	147	152	131
Prepayments, insurance and other receivables	2 884	2 655	5 884
Cash and cash equivalents	5 858	10 637	5 112
Total assets	237 841	219 400	211 773
Liabilities			
Policyholder liabilities	197 878	184 300	172 805
Insurance contracts	138 873	129 765	122 624
Investment contracts with discretionary participation features	2 634	2 692	2 648
Financial liabilities under investment contracts	56 371	51 843	47 533
Financial liabilities at amortised cost	2 143	2 211	2 430
Third party financial liabilities arising on consolidation of mutual funds	11 000	10 557	10 481
Employee benefits	830	660	642
Deferred revenue	139	126	114
Deferred taxation	2 437	1 999	2 161
Provisions	172	204	64
Operating leases – accrued expense	144	185	215
Held for trading liabilities	1 909	58	77
Insurance and other payables	6 070	5 604	8 210
Current taxation	740	561	748
Total liabilities	223 462	206 465	197 947
Equity			
Ordinary shareholders' interests	11 716	10 515	11 633
Share capital	26	26	26
Share premium	6 654	7 965	9 276
Retained surplus	5 842	3 304	3 166
Other reserves	(806)	(780)	(835)
Non-controlling interests	2 663	2 420	2 193
Total equity	14 379	12 935	13 826
Total equity and liabilities	237 841	219 400	211 773

Statement of comprehensive income for the year ended 31 December 2010

Audited	2010 Rm	Restated 2009 Rm
Revenue		
Insurance premiums	22 812	22 630
Reinsurance premiums	(699)	(632)
Net insurance premiums	22 113	21 998
Service fee income from policyholder investment contracts	868	823
Investment income	10 910	12 255
Hotel operations sales	687	620
Investment gains	15 290	7 125
Fee revenue	1 487	1 404
Defined benefit pension fund employer surplus	11	13
Total revenue	51 366	44 238
Claims and policyholders' benefits under insurance contracts	(22 096)	(20 488)
Insurance claims recovered from reinsurers	558	603
Change in policyholder liabilities	(8 991)	(7 224)
Insurance contracts	(9 108)	(7 141)
Investment contracts with discretionary participation features	58	(44)
Applicable to reinsurers	59	(39)
Fair value adjustment to policyholder liabilities under investment contracts	(6 257)	(5 991)
Fair value adjustment on third party mutual fund interests	(549)	(835)
Acquisition costs	(2 906)	(3 114)
General marketing and administration expenses	(5 931)	(5 434)
Finance costs	(265)	(343)
Profit share allocations under bancassurance and other agreements	(504)	(366)
Goodwill impairment	(114)	
Equity accounted earnings from joint ventures	45	47
Profit before taxation	4 356	1 093
Taxation	(1 717)	(857)
Total earnings	2 639	236
Other comprehensive loss	(96)	(11)
Owner-occupied properties – fair value adjustment	(99)	25
Foreign currency translation	(28)	(27)
Income and capital gains tax relating to owner-occupied properties – fair value adjustment	31	(9)
Total comprehensive income	2 543	225
Total earnings attributable to:		
Ordinary shareholders' interests	2 393	44
Non-controlling interests	246	192
	2 639	236
Total comprehensive income attributable to:		
Ordinary shareholders' interests	2 302	37
Non-controlling interests	241	188
	2 543	225
	Cents	Cents
Basic earnings per share	918,6	16,4
Fully diluted basic earnings per share	883,3	15,9

Headline earnings and earnings per share for the year ended 31 December 2010

Audited	2010 Rm	2009 Rm
Reconciliation of total earnings to headline earnings attributable to equity holders		
Total earnings attributable to equity holders	2 393	44
Adjustments		
Preference share dividend	(2)	(2)
Basic earnings attributable to ordinary shareholders	2 391	42
Goodwill and intangible assets impairments	96	
Impairment of investment in joint venture	14	
FCTR recycled through profit and loss	21	
Headline earnings attributable to ordinary shareholders	2 522	42
Net income earned on BEE preference shares	75	93
BEE normalised headline earnings attributable to ordinary equity holders	2 597	135
Weighted average number of shares in issue ('000)	260 196	260 222
BEE normalised weighted average number of shares in issue ('000)	285 992	286 018
	Cents	Cents
Earnings per share attributable to ordinary equity holders		
Basic	918,6	16,4
Headline	968,8	16,4
BEE normalised headline	907,6	47,2
Fully diluted earnings per share attributable to ordinary equity holders		
Basic	883,3	15,9
Headline	931,6	15,9

Condensed statement of changes in shareholders' funds for the year ended 31 December 2010

Audited	2010 Rm	2009 Rm
Balance of ordinary shareholders' funds at 1 January	10 515	11 633
Increase in ownership of Liberty Health Holdings		(9)
Capital reduction	(1 301)	(1 301)
Section 311 Liberty transaction costs		1
Total comprehensive income	2 302	37
Share buy-back	(30)	(34)
Subscription for shares	20	23
Black Economic Empowerment transaction	117	101
Share-based payments	60	68
Payment on settlement of share options	(2)	(2)
Acquisition of additional interests in subsidiary	(2)	
Preference dividend	(2)	(2)
FCTR recycled through profit and loss	21	
Profit on partial disposal of a subsidiary	18	
Ordinary shareholders' funds	11 716	10 515
Balance on non-controlling interests at 1 January	2 420	2 193
Increase in ownership of Liberty Health Holdings		(1)
Total comprehensive income	241	188
Unincorporated property partnerships	(1)	42
Non-controlling share of subsidiary dividend	(3)	(2)
Acquisition of additional interests in subsidiary	(16)	
Issue of shares in subsidiary	40	
Profit on partial disposal of a subsidiary	(18)	
Non-controlling interests	2 663	2 420
Total shareholders' funds	14 379	12 935

Condensed statement of cash flows for the year ended 31 December 2010

Audited	2010 Rm	2009 Rm
Operating activities	1 632	5 006
Investing activities	(6 498)	562
Financing activities	85	(43)
Net (decrease)/increase in cash and cash equivalents	(4 781)	5 525
Cash and cash equivalents at the beginning of the year	10 637	5 112
Cash and cash equivalents acquired through business acquisition	2	
Cash and cash equivalents at the end of the year	5 858	10 637

Condensed segment information for the year ended 31 December 2010

The audited segment results for the year ended 31 December 2010 are as follows:

Rm	Long-term insurance		Asset management	Health services	Other	Total	Reporting adjustments ⁽¹⁾	IFRS reported
	Retail	Corporate						
Total revenue	43 419	11 853	1 834	353	1 194	58 653	(7 287)	51 366
Profit/(loss) before taxation	2 913	240	680	(232)	469	4 070	286	4 356
Taxation	(1 380)	(61)	(187)	10	(99)	(1 717)		(1 717)
Total profit/(loss)	1 533	179	493	(222)	370	2 353	286	2 639
Other comprehensive loss	(66)	(7)	(7)		(16)	(96)		(96)
Total comprehensive income/(loss)	1 467	172	486	(222)	354	2 257	286	2 543
Attributable (to)/from non-controlling interests	5		(10)	51	(1)	45	(286)	(241)
Equity holders	1 472	172	476	(171)	353	2 302		2 302
Reconciliation of total earnings/(loss) to headline earnings/(loss) attributable to equity holders								
Total earnings/(loss)	1 533	179	493	(222)	370	2 353	286	2 639
Attributable (to)/from non-controlling interests	2		(13)	52	(1)	40	(286)	(246)
Preference share dividend					(2)	(2)		(2)
Goodwill and intangible assets impairments				96		96		96
Impairment of investment in joint venture					14	14		14
FCTR recycled through profit and loss					21	21		21
Headline earnings/(loss)	1 535	179	480	(74)	402	2 522		2 522
Net income earned on BEE preference shares					75	75		75
BEE normalised headline earnings/(loss)	1 535	179	480	(74)	477	2 597		2 597

⁽¹⁾ Reporting adjustments include the consolidation of unincorporated property partnerships, the consolidation of third party mutual fund liabilities, the classification of long-term insurance into defined IFRS 'investment' and 'insurance' products, and the elimination of inter-group transactions.

Condensed segment information for the year ended 31 December 2010

The audited segment results for the year ended 31 December 2009 are as follows (restated):

Rm	Long-term insurance		Asset management	Health services	Other	Total	Reporting adjustments ⁽¹⁾	IFRS reported
	Retail	Corporate						
Total revenue	36 443	11 243	1 663	332	819	50 500	(6 262)	44 238
Profit/(loss) before taxation	186	(35)	636	(161)	243	869	224	1 093
Taxation	(594)	2	(185)	51	(131)	(857)		(857)
Total (loss)/profit	(408)	(33)	451	(110)	112	12	224	236
Other comprehensive (loss)/income	11	2	(6)	(2)	(16)	(11)		(11)
Total comprehensive (loss)/income	(397)	(31)	445	(112)	96	1	224	225
Attributable (to)/from non-controlling interests	(3)		(7)	46		36	(224)	(188)
Equity holders	(400)	(31)	438	(66)	96	37		37
Reconciliation of total (loss)/earnings to headline (loss)/earnings attributable to equity holders								
Total (loss)/earnings	(408)	(33)	451	(110)	112	12	224	236
Attributable (to)/from non-controlling interests	(4)		(10)	46		32	(224)	(192)
Preference share dividend					(2)	(2)		(2)
Headline (loss)/earnings	(412)	(33)	441	(64)	110	42		42
Net income earned on BEE preference shares					93	93		93
BEE normalised headline (loss)/earnings	(412)	(33)	441	(64)	203	135		135

⁽¹⁾ Reporting adjustments include the consolidation of unincorporated property partnerships, the consolidation of third party mutual fund liabilities, the classification of long-term insurance into defined IFRS 'investment' and 'insurance' products, and the elimination of inter-group transactions.

Audited Group Embedded Value report

1. Introduction

Following regulatory approval, phase two of Liberty Holdings' legal entity reorganisation was implemented effective 1 January 2010. This entailed the transfer of non long-term insurance legal entities from Liberty Group Limited to Liberty Holdings Limited. In addition, as part of the strategy to expand the geographical footprint in chosen African countries, a sub group of both insurance and asset management entities has been established in Namibia controlled by Liberty Holdings Namibia (Pty) Limited, in which Liberty Holdings Limited owns 75%.

Liberty now presents a "Group Embedded Value" report to reflect the combined value of the various components of Liberty's businesses. Group Embedded Value as described below has been calculated on a basis consistent with that used in past reporting periods.

2. Component parts of the Group Embedded Value and valuation techniques used

Group Embedded Value has been calculated as the sum of three component parts:

Liberty Group Limited

After the reorganisation, Liberty Group Limited (LGL) comprises the cluster of South African long-term insurance entities and related asset holding entities. The embedded value methodology applied historically in terms of Professional Guidance Note 107 issued by the Actuarial Society of South Africa will continue to be used to derive the value of this business cluster. The embedded value report of the covered business of LGL has been reviewed by the company's statutory actuary (refer 3 below).

Liberty Africa

Liberty Africa is an emerging cluster of wealth businesses located outside of South Africa. A combination of valuation techniques including embedded value discounted cash flow and earnings multiples have been applied to value these businesses. The combined value of this cluster is not material relative to the other components of Group Embedded Value and therefore a detailed analysis of this valuation has not been presented.

Balance of Liberty Holdings

This comprises the following:

STANLIB: Valued using a 10 times (2009: 10 times) multiple of estimated sustainable earnings.

Liberty Properties: Valued using a 10 times (2009: 10 times) multiple of estimated sustainable earnings.

Liberty Health: Liberty Health is in a growth phase and has yet to establish a history to support a sustainable earnings calculation. A valuation has not been used and the group embedded value includes Liberty Health at net asset value.

Liberty Holdings' net asset value: The net market value of assets and liabilities held by the Liberty Holdings Limited company excluding investments in subsidiaries valued separately.

Other adjustments: This comprises the present value of future secondary tax on companies at 10% on future anticipated dividends, the fair value of share options/rights allocated to staff not employed by LGL and allowance for certain shareholder recurring costs incurred in Liberty Holdings capitalised by a multiple of 6 times.

3. Description of embedded value of covered business of Liberty Group Limited

The current version of Professional Guidance Note PGN107 came into force for all financial years ending on or after 31 December 2008. PGN107 governs the way in which embedded values of life assurance companies are reported.

The embedded value consists of:

- The net worth; plus
- The value of in-force covered business; less
- The cost of required capital.

Audited Group Embedded Value report (continued)

3. Description of embedded value of covered business of Liberty Group Limited (continued)

The net worth represents the excess of assets over liabilities on the statutory valuation method, adjusted for the elimination of the carrying value of covered business acquired and for the fair value of share options/rights granted to Liberty Group Limited employees.

The value of in-force covered business is the discounted value of the projected stream of after tax shareholder profits arising from existing in-force covered business. These shareholder profits arise from the release of margins under the statutory basis of valuing liabilities, which differs from the release of profits on the published accounting basis. This value is reduced by the present value of after tax future shareholder recurring and non-recurring expenses. Covered business is defined as business regulated by the FSB as long-term insurance business written in Liberty Group Limited or its subsidiary life companies.

For reversionary and smoothed bonus business, the value of in-force covered business has been calculated assuming that bonuses are changed over time so that the full amount of the bonus stabilisation reserves are distributed to policyholders over the lifetime of the in-force policies.

The required capital is defined as the level of capital that is restricted for distribution to shareholders. This comprises the statutory CAR calculated in accordance with PGN104 plus any additional capital considered by the Board appropriate given the risks in the business. For Liberty Group Limited, required capital has been calculated at 1,7 x CAR. For subsidiary life companies a multiple of 1,5 x CAR has been used. The cost of required capital is the present value, at the risk discount rate, of the projected release of the required capital allowing for investment returns on the assets supporting the projected required capital.

The value of new business written is the present value at the point of sale of the projected stream of after tax profits from that business, reduced by the cost of required capital. New business is defined as covered business arising from the sale of new policies and once off premium increases in respect of in-force covered business during the reporting period. Risk policies with an inception date prior to the reporting date where no premium has been received are included in the embedded value and value of new business. The contractual terms of these policies state that Liberty Group Limited is on risk from the inception date, even though a premium may not have been received. This definition is consistent with that used in the financial statements.

The value of new business has been calculated on the closing assumptions. Investment yields at the point of sale have been used for new fixed annuities and Guaranteed Capital Bonds; for all other business the investment yields at the date of reporting have been used.

No adjustment has been made for the discounting of tax provisions in the embedded value.

Audited Group Embedded Value report (continued)

4. Group Embedded Value

4.1 Group Embedded Value

31 December	2010				2009
	Liberty Group Limited Rm	Liberty Africa Rm	Balance of Liberty Holdings Rm	Total Rm	Total Rm
Group Embedded Value	20 385	132	4 394	24 911	22 959
Adjusted for BEE preference shares	1 119			1 119	1 159
BEE normalised Group Embedded Value	21 504	132	4 394	26 030	24 118
Number of applicable shares ('000)				260 226	260 226
Adjustment for BEE ordinary shares				25 796	25 796
BEE normalised number of applicable shares ('000)				286 022	286 022
Group Embedded Value per share (R)				95,73	88,23
BEE normalised Group Embedded Value per share (R)				91,01	84,32

4.2 BEE normalised Group Embedded Value profits

31 December	2010				2009
	Liberty Group Limited Rm	Liberty Africa Rm	Balance of Liberty Holdings Rm	Total Rm	Total Rm
Group Embedded Value at the end of the period	21 504	132	4 394	26 030	24 118
Adjustments arising from the group restructure	3 979	(108)	(3 871)	–	–
Business acquisitions		(18)	18	–	–
Intergroup dividends	1 092		(1 092)	–	–
Less capital raised			(20)	(20)	(23)
Plus impact of share buy backs			30	30	34
Plus net capital reduction paid			1 301	1 301	1 301
Less group Embedded Value at the beginning of the period	(24 051)		(67)	(24 118)	(27 207)
Group Embedded Value profit/(losses)	2 524	6	693	3 223	(1 777)
Return on Group Embedded Value	12,6%			13,4%	(6,5%)

Audited Group Embedded Value report (continued)

4. Group Embedded Value (continued)

4.3 Group Embedded Value of new business and new business margins

31 December	2010			2009
	Liberty Group Limited Rm	Liberty Africa Rm	Total Rm	Total Rm
Gross value of new business	285	9	294	323
Cost of required capital	(33)	–	(33)	(22)
Net value of new business written in the period	252	9	261	301
Retail ⁽¹⁾	236	9	245	288
Corporate ⁽²⁾	16	–	16	13
Present value of future expected premiums	22 498	173	22 671	23 082
Margin	1,1%	5,2%	1,2%	1,3%

⁽¹⁾ Retail margin: 1,3% (2009: 1,5%).

⁽²⁾ Corporate margin: 0,4% (2009: 0,3%).

4.4 Balance of Liberty Holdings

	31 December	
	2010 Rm	2009 Rm
STANLIB	3 600	
Liberty Properties	750	
Liberty Health	–	
Liberty Holdings' net asset value	477	67
Share options allowance	(75)	
STC allowance	(257)	
Shareholder expense allowance	(101)	
	4 394	67

4.5 Analysis of balance of Liberty Holdings Group Embedded Value profits

	31 December 2010 Rm
Change in STC allowance	(32)
Change in capitalised value of non-financial service subsidiaries	70
Change in allowance for fair value of employee share options/rights	(2)
Change in shareholder expense allowance	(101)
Investment return including earnings of non long-term insurance subsidiaries	758
	693

Audited Group Embedded Value report (continued)

4. Group Embedded Value (continued)

4.6 Liberty Group Limited embedded value

	2010		2009	
	Embedded value Rm	BEE normalised embedded value Rm	Embedded value Rm	BEE normalised embedded value Rm
31 December				
Risk discount rate ^(a)	11,07%	11,07%	12,10%	12,10%
Net worth	6 836	7 955	10 345	11 504
Ordinary shareholders' funds on published basis	10 870	11 989	10 446	11 605
Adjustment of ordinary shareholders' funds from published basis ^(b)	(3 411)	(3 411)	(3 021)	(3 021)
Financial services subsidiaries fair value adjustment ^(c)	–	–	3 703	3 703
Adjustment for carrying value of in-force business acquired ^(d)	(440)	(440)	(555)	(555)
Allowance for fair value of share options	(183)	(183)	(228)	(228)
Net value of life business in-force	13 549	13 549	12 547	12 547
Value of business in-force	14 982	14 982	13 957	13 957
Cost of required capital	(1 433)	(1 433)	(1 410)	(1 410)
Embedded value	20 385	21 504	22 892	24 051

Audited Group Embedded Value report (continued)

4. Group Embedded Value (continued)

4.7 Sensitivity to risk discount rate and other assumptions

In order to indicate sensitivity to varying assumptions, the value of the life business in-force less cost of required capital and the value of the new business written for Liberty Group Limited are shown below for various changes in assumptions. Each value is shown with only the indicated parameter being changed.

	Value of life business in force less cost of required capital at 31 December 2010 Rm	Value of new business written in 2010 Rm
Base value	13 549	252
Value of in-force/new business	14 982	285
Cost of required capital	(1 433)	(33)
100 basis point increase in risk discount rate	12 367	180
Value of in-force/new business	14 182	231
Cost of required capital	(1 815)	(51)
100 basis point decrease in interest rate environment	13 524	298
Value of in-force/new business	14 991	331
Cost of required capital	(1 467)	(33)
10% fall in equity and property market values	13 105	
Value of in-force	14 538	
Cost of required capital	(1 433)	
100 basis point increase in equity and property returns	14 564	259
Value of in-force/new business	15 868	289
Cost of required capital	(1 304)	(30)
10% decrease in maintenance expenses	14 157	289
Value of in-force/new business	15 590	322
Cost of required capital	(1 433)	(33)
10% decrease in new business acquisition expenses (other than commissions)		309
Value of new business		342
Cost of required capital		(33)
10% decrease in withdrawal rates	14 548	354
Value of in-force/new business	16 015	387
Cost of required capital	(1 467)	(33)
5% improvement in mortality and morbidity for assurances	14 306	338
Value of in-force/new business	15 742	371
Cost of required capital	(1 436)	(33)
5% improvement in mortality for annuities	13 413	250
Value of in-force/new business	14 846	283
Cost of required capital	(1 433)	(33)

Audited Group Embedded Value report (continued)

4. Group Embedded Value (continued)

4.8 Analysis of Liberty Group Limited embedded value profits

	31 December 2010				31 December 2009			
	Net worth Rm	Value of in-force covered business Rm	Cost of required capital Rm	Embedded value Rm	Net worth Rm	Value of in-force covered business Rm	Cost of required capital Rm	Embedded value Rm
Embedded value at the end of the period	6 836	14 982	(1 433)	20 385	10 345	13 957	(1 410)	22 892
Plus dividends paid	975			975	1 054			1 054
Adjustments arising from group restructure	4 074	(93)	(2)	3 979				
Embedded value at the beginning of the period	(10 345)	(13 957)	1 410	(22 892)	(11 701)	(14 640)	452	(25 889)
Embedded value profits	1 540	932	(25)	2 447	(302)	(683)	(958)	(1 943)
Components of embedded value profits:								
Value of new business written in the period	(936)	1 221	(33)	252	(1 062)	1 385	(22)	301
Expected return on value of life business ^(e)		1 611	8	1 619		1 465	(47)	1 418
Expected net of tax profit transfer to net worth	2 371	(2 371)	–	–	1 849	(1 888)	39	
Operating experience variance ^(b)	64	270	(7)	327	81	(307)	19	(207)
Operating assumption changes ⁽ⁱ⁾	(163)	(249)	22	(390)	(612)	(1 308)		(1 920)
Embedded value profits/(loss) from operations	1 336	482	(10)	1 808	256	(653)	(11)	(408)
Investment return on net worth	270			270	152			152
Investment variances	(125)	84		(41)	(280)	104	19	(157)
Changes in economic assumptions ^(j)	121	225	(15)	331	(257)	(196)	(966)	(1 419)
Changes in modelling methodology	(34)	141		107	(130)	62		(68)
Change in allowance for fair value of share options/rights ^(k)	(28)			(28)	(43)			(43)
Embedded value profits/(loss)	1 540	932	(25)	2 447	(302)	(683)	(958)	(1 943)
BEE preference dividends	77			77	101			101
BEE normalised embedded value profits/(loss)	1 617	932	(25)	2 524	(201)	(683)	(958)	(1 842)

Audited Group Embedded Value report (continued)

4. Group Embedded Value (continued)

Notes to Liberty Group Limited embedded value

- a) Future investment returns on major asset classes and other economic assumptions have been set with reference to the market yield on medium-term South African government stock.

	Investment return p.a.	
	31 Dec 2010 %	31 Dec 2009 %
Government stock	8,27	9,30
Equities	11,77	12,80
Property	9,27	10,30
Cash	6,77	7,80
The risk discount rate has been set equal to the risk free rate plus 80% of the equity risk premium	11,07	12,10
Maintenance expense inflation rate	5,27	6,30

b) *Adjustment of shareholders' funds from the published basis*

The amounts represent the change in the amount of shareholder funds as a result of moving from a published valuation basis to the statutory valuation basis. This is largely due to the elimination of certain negative rand reserves on the statutory valuation basis. The reduction in net worth results in a corresponding increase in the value of in-force.

c) *Financial service subsidiaries fair value adjustment*

As a result of the legal entity reorganisation of Liberty Holdings, the non long-term insurance legal entities were transferred to Liberty Holdings Limited. Therefore, this adjustment is no longer applicable to Liberty Group Limited (refer 4.4).

d) *Adjustment for carrying value of business acquired*

The carrying value of business acquired by Liberty has been deducted from shareholders' funds in order to avoid double counting. For embedded value purposes, the value in respect of this acquired business is included in the value of life business in-force.

	31 Dec 2010 Rm	31 Dec 2009 Rm
Investec Employee Benefits (IEB)	(25)	(36)
Capital Alliance Holdings Limited (CAHL)	(393)	(491)
Business previously acquired by CAHL	(22)	(28)
	(440)	(555)

- e) The expected return on the value of life business is obtained by applying the previous year's discount rate to the value of life business in force at the beginning of the period and the current year's discount rate for half a year to the value of new business.

- f) Taxation has been allowed for at rates and on bases applicable to Section 29A of the Income Tax Act. Full taxation relief on expenses to the extent permitted was assumed. Capital gains taxation has been taken into account in the embedded value.

g) *Other bases, bonus rates and assumptions*

Parameters reflect best estimates of future experience, consistent with the valuation bases used by the statutory actuaries, excluding any compulsory or discretionary margins. However, in contrast to the assumptions in the valuation basis, the embedded value makes allowance for automatic premium and benefit increases.

- h) Operating experience variances consist of the combined effect on net worth and value of in-force of operating experience being different to that anticipated at the prior year end.

Audited Group Embedded Value report (continued)

4. Group Embedded Value (continued)

Notes to Liberty Group Limited embedded value (continued)

The net 2010 operating experience variance of R327 million comprised:

Operating experience variances	Net worth Rm	Value of in- force covered business Rm	Cost of required capital Rm	Embedded value Rm
Mortality and Morbidity	196	6		202
Persistency	(1)	274		273
Expenses	(248)			(248)
Other	117	(10)	(7)	100
Total	64	270	(7)	327

The mortality and morbidity variance includes profits of R131 million on credit life net of the preference dividend payable to Standard Bank in terms of the joint venture agreement.

The expense variance mainly comprises project costs which are not reserved for in the embedded value.

i) The amount of negative R390 million operating assumption changes comprises:

Operating assumption changes	Net worth Rm	Value of in- force covered business Rm	Cost of required capital Rm	Embedded value Rm
Expenses	(66)	(304)		(370)
Retail SA	(66)	(19)		(85)
Corporate		(93)		(93)
Shareholder		(192)		(192)
Mortality	(192)	(152)		(344)
Persistency	(30)	83		53
Other	125	124	22	271
Total	(163)	(249)	22	(390)

The expense assumption changes comprise:

- A small increase in the assured future maintenance costs of retail business;
- An increase in the allocation of maintenance expenses to corporate business; and
- An increase to the allowance for future shareholder expenses.

Mortality assumption changes comprise mainly a strengthening of the assured future mortality for annuitants (R102 million) and a recalibration of the mortality curve at older ages for universal life business where previously little experience was available when setting the assumptions (R218 million).

Persistency assumption changes are mainly on corporate business where scheme termination assumptions have been reduced in line with experience.

Other assumption changes largely comprise an increase in the assumed tax relief on expense ratio and the rebasing of some discretionary margins.

j) The amount of R331 million (2009: negative R1 419 million) relates to changes in economic assumptions as described in note a).

k) The amount of negative R28 million (2009: negative R43 million) in respect of the change in the fair value of share options/rights arises from the change in the number of shares under option/share rights for staff employed by Liberty Group Limited and the increase in the market value of Liberty Holdings Limited share price over the reporting period.

l) The assets backing the required capital are consistent with the long-term strategic mix of shareholder funds approved by the Liberty Holdings Board in November 2009.

Insurance new business for the year ended 31 December 2010

Unaudited	2010 Rm	2009 Rm
Retail	12 722	13 700
Single	9 966	10 748
Recurring	2 756	2 952
Corporate	1 658	1 467
Single	1 204	1 202
Recurring	454	265
Total new business	14 380	15 167
Single	11 170	11 950
Recurring	3 210	3 217
Indexed new business	4 327	4 412
Sources of insurance operations indexed new business by business unit:		
Retail SA	3 717	3 995
Corporate	542	385
Liberty Africa ⁽¹⁾	68	32

⁽¹⁾ Liberty group owns less than 100% of the various entities that make up Liberty Africa. The cash flow information is recorded at 100% and is not adjusted for proportional legal ownership.

Assets under management for the year ended 31 December 2010

Unaudited	2010 Rbn	2009 Rbn
Retail	105	89
Institutional	59	63
Money market	97	72
Liberty inter-group	123	117
Properties	25	22
Total assets under management ⁽¹⁾	409	363
Total assets under management split by business unit:		
STANLIB	355	318
Liberty Africa ⁽²⁾	29	23
Liberty Properties	25	22

⁽¹⁾ Includes funds under administration.

⁽²⁾ Liberty group owns less than 100% of the various entities that make up Liberty Africa. The cash flow information is recorded at 100% and is not adjusted for proportional legal ownership.

Net cash inflows for the year ended 31 December 2010

Unaudited	2010 Rm	2009 Rm
Insurance operations		
Retail	1 059	3 031
Inflows and premiums	23 725	23 291
Claims and benefits	(22 666)	(20 260)
Corporate	(1 346)	(1 764)
Inflows and premiums	7 130	6 784
Claims and benefits	(8 476)	(8 548)
Medical risk	14	
Inflows and premiums	77	
Claims and benefits	(63)	
Net cash (outflows)/inflows from insurance operations	(273)	1 267
Sources of insurance operations cash flows by business unit:		
Retail SA	990	2 764
Corporate	(1 517)	(1 776)
STANLIB Multi-manager	(19)	202
Liberty Health Holdings	14	
Liberty Africa	259	77
Asset management		
STANLIB before money market	(3 431)	(12 344)
Retail net cash inflows	5 908	5 632
Institutional net cash outflows	(9 339)	(17 976)
Money market inflows	19 130	10 772
Net STANLIB cash inflows/(outflows)	15 699	(1 572)
Liberty Africa before money market	4 754	3 668
Retail net cash inflows	318	306
Institutional net cash inflows	4 436	3 362
Money market inflows	1 726	659
Net Liberty Africa inflows ⁽¹⁾	6 480	4 327
Net cash inflows from asset management	22 179	2 755
Total net cash inflows	21 906	4 022

⁽¹⁾ Liberty group owns less than 100% of the various entities that make up Liberty Africa. The cash flow information is recorded at 100% and is not adjusted for proportional legal ownership.

Capital commitments as at 31 December 2010

Audited	2010 Rm	2009 Rm
Capital commitments		
Business acquisitions ⁽¹⁾	143	360
Equipment	236	296
Investment and owner-occupied property	1 654	2 485
Total capital commitments	2 033	3 141
Under contracts	458	1 385
Authorised by the directors but not contracted	1 445	1 426
Under agreement with material conditions outstanding	130	330

The above 2010 capital commitments will be financed by available bank facilities, existing cash resources, internally generated funds, R313 million (2009: R403 million) from non-controlling interests in unincorporated property partnerships and R5 million (2009: R7 million) from non-controlling interests in Liberty Health Holdings (Pty) Limited.

⁽¹⁾ The board has approved an allocated amount towards possible business acquisitions (including an amount of R125 million relating to CfC Insurance Holdings Limited) related to its stated strategy of broadening the group's financial services offerings.

Related parties as at 31 December 2010

The following selected significant related party transactions have occurred in the 2010 financial year:

1) Summary of movement in investment in ordinary shares held by the group in the group's holding company is as follows:

	Number '000	Market value Rm	Ownership %
Standard Bank Group Limited			
Balance at 1 January 2010	25 724	2 624	1,65
Purchases	11 594	1 121	
Sales	(19 954)	(2 014)	
Fair value adjustments		137	
Balance at 31 December 2010	17 364	1 868	1,10

2) Acquisition of CfC Insurance Holdings Limited (CfC)

As announced on SENS dated 3 December 2009 Liberty has entered into agreements in terms of which Liberty will acquire control of CfC, currently a subsidiary of Standard Bank Group Limited. CfC is a leading Kenyan wealth company that comprises life, general and health insurance businesses in Kenya and Tanzania. The group will acquire approximately 57% ownership through subscribing for KES880 million of new equity capital and an initial payment of USD14 million with deferred payments capped at an additional USD4,9 million. The new equity capital subscription has been settled during 2010 and at 31 December 2010 exchange rates the rand equivalent of the outstanding transactional commitments is R125 million. The CfC acquisition is a related party transaction, as Standard Bank is both a majority shareholder of Liberty with a holding of 53,65% and the ultimate controlling shareholder of CfC.

3) Bancassurance

Liberty has entered into profit share agreements with Standard Bank of South Africa Limited for the sale and promotion of insurance products. New business premium income in respect of this business in 2010 amounted to R4 407 million (2009: R4 812 million). In terms of the agreement Liberty Active Limited pays between 80% and 90% of profits on simple products and 50% of profits on complex products sold in South Africa through a preference share dividend to Standard Bank of South Africa Limited. Various other African group entities pay the relevant profit share directly. The profit share calculated for 2010 is R463 million (2009: R366 million).

During 2010 Liberty and Standard Bank have conducted a detailed review of the existing bancassurance agreement and have agreed with effect from 1 January 2011 to expand the scope thereof to include asset management, investment and health products in addition to the insurance products. The agreement remains an evergreen agreement with a 24-month notice period for termination, but neither party may give notice of termination until February 2013.

Retirement benefit obligations as at 31 December 2010

Post-retirement medical benefit

The group operates an unfunded post-retirement medical aid benefit for employees who joined the group prior to 1998.

As at 31 December 2010, the Liberty post-retirement medical aid benefit liability was R400 million (31 December 2009: R354 million).

Defined benefit retirement funds

The group operates a number of defined benefit pension schemes on behalf of employees. All these funds are closed to new membership and are well funded with no deficits reported.

Analysis of ordinary shareholders' funds invested for the year ended 31 December 2010

	Group funds invested		Contribution to earnings	
	2010 Rm	2009 Rm	2010 Rm	2009 Rm
South African insurance operations	10 310	9 138	2 478	(40)
Insurance operating earnings excluding VIF amortisation			1 826	(356)
Secondary tax on companies – bancassurance dividends			(42)	(35)
Value of in-force (VIF) business acquired	440	555	(115)	(126)
Investment portfolio's backing capital	9 043	9 345	698	466
Fixed assets and working capital ⁽¹⁾	2 827	1 238	290	190
Callable capital bonds	(2 000)	(2 000)	(179)	(179)
Asset management operations	503	762	457	442
STANLIB	230	454	361	362
Liberty Properties	79	118	86	72
Fountainhead	194	190	10	8
Business development initiatives	518	548	(77)	(36)
Liberty Africa	152	133	9	28
Total Health Trust	21	30	1	1
Liberty Health	246	385	(43)	(65)
Frank Financial Services	99		(44)	
Shareholder expenses and sundry income			(334)	(269)
Secondary tax on companies				(53)
Preference share dividend			(2)	(2)
Liberty Holdings	385	67		
Headline earnings			2 522	42
Preference share dividend			2	2
Goodwill and intangible assets impairments			(96)	
Impairment of investment in joint venture			(14)	
FCTR recycled through profit and loss			(21)	
Liberty Holdings shareholders' funds/total earnings	11 716	10 515	2 393	44
BEE normalised:				
Liberty Holdings shareholders' funds/headline earnings	11 716	10 515	2 522	42
BEE preference shares	1 119	1 159	75	93
BEE normalised shareholders' funds/headline earnings	12 835	11 674	2 597	135

⁽¹⁾ With effect from 1 July 2005 Liberty Group Limited established a working capital funding loan between insurance operations and shareholder assets, subsequently supported by the callable capital bonds issue. Inter-divisional interest is charged at 8,77% namc which is equivalent to the callable capital bond's interest rate.